
SFTP 2050: STRATEGIC TOPIC PAPER

Small Business Construction Mitigation

Introduction

The Construction Mitigation Program was established by the Board of Supervisors in 2017 to help businesses overcome negative impacts caused by nearby construction projects led by the San Francisco Municipal Transportation Agency (SFMTA), San Francisco Department of Public Works (DPW), and San Francisco Public Utilities Commission (SFPUC). The program is administered by the Office Economic and Workforce Development (OEWD). This white paper provides an overview of the program, local implementation examples, and a review of funding structure from peer cities.

Prior to the start of the Construction Mitigation Program, businesses around San Francisco reported losing significant profits, letting go of employees, and/or closing down as a result of major nearby construction. In 2017, the City Controller's office conducted a study to quantify the economic impact of construction projects on businesses in the city. The study found that businesses near construction projects that lasted a year to a year-and-a-half experienced 12 to 13% less business. Construction projects that lasted eight months or less had no statistically significant impact on revenue for businesses.¹ During this time merchants voiced that, because of already slim profit margins, business reduced by even by 10% could be severe and lead to closure. The SFMTA and New York City conducted independent studies to compare changes in sales tax revenue in construction zones. Both studies found that there was little difference in sales tax revenue between pre-construction and the first years post-construction.

Large construction projects can last years and impact the success of local businesses. Although the Pandemic may have caused some projects to delay or be cancelled, the ConnectSF Statement of Needs shows that the city is still expected to grow in the coming years.² Current projects, like the Van Ness Improvement Project and Central Subway, advance San Francisco's transportation system and maintain infrastructure in a state of good repair. Though these have the potential to produce long-term economic benefits for the project area, construction may result in temporarily reduced business access, loss of nearby parking, limited foot traffic, and excessive noise and dust – factors which ultimately may have negative impacts on local businesses.

¹ City Controller presentation. BOS Government Audit and Oversight Committee. September 20, 2017
https://sanfrancisco.granicus.com/TranscriptViewer.php?view_id=11&clip_id=28784

² <https://connectsf.org/transportation-needs/>

Program Design

The Office of Economic and Workforce Development (OEWD) leads the small business support in partnerships with the construction project's lead agency – SFMTA, DPW, or SFPUC. These partners work together to increase outreach and engagement with neighborhood business groups and small businesses during construction and lessen the impacts of construction by providing technical assistance, marketing campaigns, and grants for rent, utilities, wages, and other expenses for projects, based on the expected construction-related business impacts.¹

The Construction Mitigation Program categorizes projects into low-impact, moderate-impact, and major-impact based on the total amount of anticipated disruption to a corridor, project location, and the commercial businesses on that block.² Projects categorized as “low-impact” typically have less than 12 months of construction and include traffic signals, repaving, and pedestrian safety improvements. Moderate impact projects are typically 12 months or longer and are along an Invest in Neighborhoods³ or commercial corridor. Major impact projects last 24 months or longer and are along an entire corridor.

DEPARTMENT ROLES

The SFMTA, DPW, and SFPUC all participate in the program when they are the construction project lead. In preparation for construction, the lead department will categorize businesses in the following groups to identify those that qualify for support and determine the appropriate mitigation:⁴

- Businesses with direct impacts:
 - » Directly face work areas, may include staging and storage areas
 - » 6 months or more of continuous impact
- Businesses with indirect impacts:
 - » Within the same city block of direct work areas, may include staging and storage areas
 - » 12 months or more of continuous impact

1 San Francisco Construction Mitigation Program Update. SFCTA Board. July 23, 2019 https://www.sfcta.org/sites/default/files/2019-07/Item%2014%20-%20Construction%20Mitigation%20Update_0.pdf

2 San Francisco Construction Mitigation Program Update. SFMTA Board. September 17, 2019 https://www.sfmta.com/sites/default/files/reports-and-documents/2019/09/9-17-19_item_12_construction_mitigation_program_pdf.pdf

3 Invest In Neighborhoods Fact Sheet. OEWD. <https://oewd.org/sites/default/files/FileCenter/Documents/176-IIN%20Fact%20Sheet.pdf>

4 San Francisco Construction Mitigation Program Update. SFCTA Board. April 23, 2019 https://www.sfcta.org/sites/default/files/2019-04/Item%2012%20-%20Construction%20Mitigation%20Program%20Update_0.pdf

The Office of Economic and Workforce Development (OEWD) is responsible for maintaining and advancing the economic vitality of San Francisco by growing jobs, supporting businesses, and strengthening neighborhoods. In the Construction Mitigation Program, OEWD serves as a business liaison, provides access to various resources, and leverages other city programs and services to support impacted businesses.¹ The Invest In Neighborhoods (IIN) Division and Small Business Development Center (SBDC) also provide direct business support through marketing campaigns and technical assistance. For very large construction projects – those that last over two years and experience significant delays – OEWD provides direct business support through Business Action Plans and one-time financial support for rent, utilities, and other improvements.²

Funding

When the Construction Mitigation Program began in 2017 there was not a dedicated source of funding. Business Mitigation efforts are primarily funded through the project budgets of each project, as determined by the lead agency. There have been two efforts to create funding for very large construction projects, though both are limited sources with limited applications.

Shortly after creating the Small Business Construction Mitigation program, and as project delays to Central Subway became apparent, Mayor Lee, the Board of Supervisors, and MTA identified \$400,000 to fund a grant program for impacted businesses within the project construction area.

In 2019, the Mayor and Board of Supervisors approved MTA to appropriate \$5 million from a budget adjustment of the Educational Revenue Augmentation Fund to support the Construction Mitigation Program in cases where a project has been underway for at least two years and is determined to have significant delays to the schedule – only Central Subway and Van Ness BRT have met this criteria.³ These funds are only available for SFMTA-led projects and once fully spent, there is no reliable source of funding for this program.

1 Van Ness BRT Construction Mitigation Program Update. SFCTA Board. October 20, 2020. https://www.sfcta.org/sites/default/files/2020-10/Item%2010%20-%20Van%20Ness%20BRT%20Business%20Mitigation%20OEWD%20presentation_1.pdf

2 San Francisco Construction Mitigation Program Update. SFMTA Board. September 17, 2019 https://www.sfmta.com/sites/default/files/reports-and-documents/2019/09/9-17-19_item_12_construction_mitigation_-_slide_presentation.pdf

3 https://www.sfmta.com/sites/default/files/reports-and-documents/2019/09/9-17-19_item_12_construction_mitigation_program_pdf.pdf

Implementation Case Studies

VAN NESS IMPROVEMENT PROJECT

The Van Ness Improvement project is a major-impact project that started in 2016 and was completed in Spring 2022. The project built a Bus Rapid Transit line on Van Ness Avenue using bus-only lanes, transit signal prioritization, and pedestrian safety improvements. The project also replaced essential aging utilities to maximize benefits during construction.

As a result of construction delays and COVID-19 related impacts, the eligibility criteria for the Directed Business Support grant program was expanded to include businesses that have closed or relocated on or after January 1, 2019.¹ Awards are distributed in two phases: Phase 1 makes up 75% of the grant award and is designated for stabilizing business operations. Phase 2 is the remaining 25% of the award and is to support the business long term. It was expanded to include COVID-19 related expenses.²

CENTRAL SUBWAY

The Central Subway construction started in 2011 and is expected to be completed in late 2022. The project will extend the Muni Metro T Third Line through SoMa, Union Square, and Chinatown. This project was the first project to initiate a Directed Business Support grant program due to significant delays. The planned cost of the project was \$1.58 billion, with a construction mitigation package of \$1.5 million that included \$400,000 for direct business support.³

Some of the Construction Mitigation Program benefits for the Van Ness Improvement Projects and Central Subway included:

- Staff on-site during construction to immediately resolve concerns
- Business Advisory Committee to assist in the development of corridor marketing priorities
- Upfront planning with merchants to provide education about services and programs
- Enhanced street/site cleaning to maintain business access
- Transit passes for project contractors to minimize construction related parking demand

1 Van Ness BRT Construction Mitigation Program Update. SFCTA Board. October 20, 2020. https://www.sfcta.org/sites/default/files/2020-10/Item%2010%20-%20Van%20Ness%20BRT%20Business%20Mitigation%20OEWD%20presentation_1.pdf

2 Ibid.

3 San Francisco Construction Mitigation Program Update. SFMTA Board. September 17, 2019 https://www.sfmta.com/sites/default/files/reports-and-documents/2019/09/9-17-19_item_12_construction_mitigation_-_slide_presentation.pdf

- Marketing campaigns (Van Ness Open for Business (OFB) campaign and Central Subway Buy Local Campaign)
- Grant opportunities to cover rent, utilities, wages, and physical improvements

Program Adjustments

In 2019, two years after the construction mitigation program was implemented, SFMTA identified adjustments to improve implementation and impact. SFMTA recommended major changes to the program including planning for mitigation measures, including business outreach during the 65% design period, and providing on-site staff during construction to resolve concerns of local businesses. The Impact Mitigation Fund was recommended to be managed by OEWD and split between immediate major planned SFMTA projects and a sustainable long-term, no-interest revolving loan program for businesses impacted by construction to ensure the sustainability of the fund and continuous support to projects with SFMTA scope. During this time, the \$5 million Small Business Impact Mitigation Fund was established and set aside \$1 million in funding for the revolving loan program for direct business support from OEWD. The \$5 million was allocated from a Budget Amendment and Supplemental Appropriation of \$38.1 million for Fiscal Year 2019, which was designated for one-time uses such as supporting the acceleration of the purchase of light rail vehicles.¹

Peer City Funding for Small Business Construction Mitigation

LOS ANGELES, LA METRO BUSINESS INTERRUPTION FUND²

Transit construction can have negative impacts on small businesses. LA Metro's Business Interruption Fund (BIF) was created to provide financial assistance to small "mom and pop" businesses located near transit corridors who were directly impacted by transit construction. The financial assistance is meant to aid the businesses in covering fixed operating expenses. The pilot program is administered by LA Metro and Pacific Coast Regional Small Business Development Corporation (PCR).

¹ https://www.sfmta.com/sites/default/files/reports-and-documents/2019/09/9-17-19_item_12_construction_mitigation_program_pdf.pdf

² https://www.metrobsc.net/business_interruption_fund

Metro's Board authorized the Agency to designate \$10,000,000 annually to be used for the implementation of the BIF. Qualifying businesses can be awarded up to \$50,000 annually in financial assistance.

The Metro Pilot Business Interruption Fund (BIF) Quarterly Status Report for July 1, 2020 - September 30, 2020 showed that the program was close to meeting most of its goals. The actual percentages are shown in Figure 1. The goal that they were not as successful in getting close to reaching is the number of businesses that remained in business for 24 months after participating in the program.

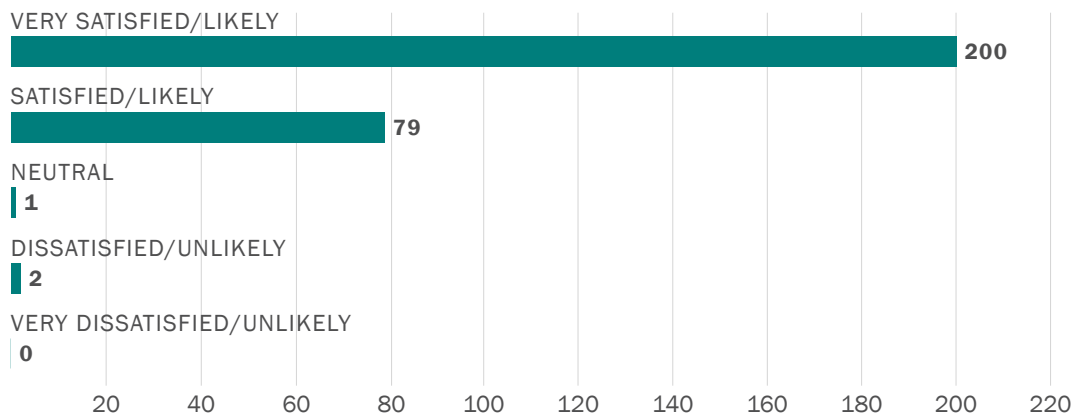
Figure 1: Measure of Effectiveness of the BIF Program from July 1, 2020 - September 30, 2020

MEASURE OF EFFECTIVENESS	GOAL	ACTUAL
1 Number of businesses referred to support services post grant award	75%	100%
2 Number of completed applications processed within 9 business days	100%	98%
3 Client satisfaction rating (via survey): <= 30 days after grant award	100%	99%
4 *Number of businesses remaining in business post grant award/support for: 6 months (369/393)	100%	94%
*Number of businesses remaining in business post grant award/support for: 12 months (long term 317/370)	100%	86%
*Number of businesses remaining in business post grant award/support for: 24 months (long term 248/318)	100%	78%

Source: LA Metro. Metro Pilot Business Interruption Fund (BIF) Quarterly Status Report for July 1, 2020 - September 30, 2020. September 2020 https://media.metro.net/2020/BIF_Status_Report_2020_Q3.pdf

Metro also conducted a Client Satisfaction Survey Report to quantify the level of client satisfaction with the program to date. More than half of the respondents said they are very satisfied with the program. All of the responses to the question of level of program satisfaction are shown in Figure 2.

Figure 2: BIF Client Satisfaction Survey Report for Question 1: "How would you rate your overall satisfaction with us?"



Source: LA Metro. Metro Pilot Business Interruption Fund (BIF) Quarterly Status Report for July 1, 2020 - September 30, 2020. September 2020 https://media.metro.net/2020/BIF_Status_Report_2020_Q3.pdf

SEATTLE COMMUNITY DEVELOPMENT FUND¹

The Martin Luther King Jr. Way corridor is a bustling commercial and cultural corridor in Seattle. When planning began to run a light rail line down the corridor, many people were concerned about the impacts it would have on all the businesses located there. As a result, the Rainier Valley Community Development Fund (CDF) was established to provide mitigation assistance to businesses along the MLK corridor and provide long term investments in community development. The \$50 million CDF was largely funded by the City of Seattle with additional contributions from King County and Sound Transit.

When the new light rail line was completed and the fund had been running for several years, data showed that 90% of businesses in the corridor had received assistance from the CDF and that the retention rate was 85% for all businesses. The level of diversity of businesses and business owners remained mostly unchanged since the beginning of construction.

MONTREAL²

The City of Montréal's \$25 million Financial Assistance program provides subsidies to businesses affected by major infrastructure work and whose gross profits have decreased by more than 15 percent during the financial year coinciding with the project work. The majority of the funding for the program comes from Montréal's regular budget and the remainder comes from a larger \$150 million agreement with the Gouvernement du Québec. From the program's launch to February 13, 2020, the City of Montréal provided \$1.4 million in subsidies to businesses.

¹ https://www.policylink.org/sites/default/files/FINAL%20PolicyLink%20Business%20Impact%20Mitigation%20Strategies_0.pdf

² <https://pub-edmonton.escribemeetings.com/filestream.ashx?DocumentId=79477>